

MARKETING ENVIRONMENT

PART - II

MACRO ENVIRONMENT

RECAP

MARKETING ENVIRONMENT

- Why understand Marketing Environment?
- What Is Marketing Environment?
- How Does It Influence Marketing Decisions?
- How Companies Can React To The Marketing Environment?

The Marketing Environment

- Two set of factors
- **Micro Environment:** the factors that are close to the company and affect their ability to serve the customers – the company, suppliers, and marketing intermediaries, customer segments, competitors and publics.
- **Macro Environment:** the larger social forces that affect the micro environment – demographic, economic, natural, technological, political-legal and socio-cultural forces.

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Macro Environment

1. Demographic forces
2. Economic forces
3. Natural forces
4. Technological forces
5. Political-Legal forces
6. Socio-Cultural forces

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1. DEMOGRAPHIC Environment

- Major variable for segmenting the market.
- Demography is the study of vital and social statistics.
- It studies the population in terms of their age, gender, race, ethnicity, religion, family size and life cycle stage, growth rate, literacy levels, occupation etc.
- Demographic factors significantly influence the buying behaviour.
- People with a unique set of demographic characteristics require a different set of market offerings.
- Marketers have to understand their specific requirements and segment the market.

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DEMOGRAPHIC Environment

- With over 1 billion people, India has the second largest population in the world and offers a large market for all types of products and services.
- It also has the largest youth population with greater purchasing power which is potential market for all types of lifestyle products.
- Marketing to kids, teenagers, youth, adults, older people calls for different type of marketing strategies.

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Demographic Environment

- Changing composition of workforce involves increased number of working women.
- Growing literacy levels demand for better customer education and has strong implications on marketing communications.
- Population shifts, rapid pace of urbanization, increasing density of population, life expectancy, house hold patterns etc. also have significant influence on marketing decisions.

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2. Economic Environment

- It consists of all the factors that affect consumer purchasing power and spending patterns.
- Major factor governing demand and supply.
- GDP, Inflation rate, Interest rate, exchange rate etc influence flow of goods and services in the nation.
- India is presently witnessing a high growth rate in all sectors of economy – agriculture, industry and service sector.

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Economic Environment

- Income is the key economic factor.
- Distribution of income in different classes of society determine their purchasing patterns.
- LIG is found to be highly price sensitive, and buy low price goods and services.
- Whereas, MIG is value sensitive and spend money very carefully.
- HIG spends more money on premium quality and Luxury products and services.
- The proportion of money spend varies across classes and cultures.

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3. Natural Environment

- It involves all the natural resources that are needed by marketers as **inputs** or that are **affected** by marketing activities.
- Shortage of raw material is a serious problem before marketer.
- Natural resource are precious.
- Non renewable resources such as coal, oil and various minerals are fast depleting.
- Renewable resources like food and forest also need to be wisely used.

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Natural Environment

- Environmental pollution is become a serious issue world wide.
- Air and water pollution are reaching a dangerous levels.
- Disposal of dangerous chemical and nuclear waste and quantity of chemical pollutants in the soil and food supply poses serious health problems for all.
- Littering of the environment with non biodegradable packages such as plastics is a serious problem because of packaging revolution.

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Natural Environment

- Government and Non Government Organizations are intervening in managing environment.
- Legal and social measures are taken for promoting a clean environment.
- Use of pollution control devices, processing of disposables etc is becoming mandatory in Industries.
- Plastics are prohibited as packaging material and a large number of chemical based products are declared as unsafe for use by many nations.
- Efforts are being made to educate citizens about environmental hazards and their role in preventing environment.

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4. Technological Environment

- It includes forces that create new technologies, new products and services and new market opportunities.
- It is one of the most powerful factor bringing radical changes in business.
- Advancements in science and technology have changed human life.
- Our forefathers may not have seen or thought of super sonic aircrafts, spaceships, high speed automobiles, telecommunication devices, IT products and services, television and many more wonder products of our generation.

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Technological Environment

- Medical advancements have made Organ transplants a reality.
- At the same time deadly nuclear weapons can destroy the whole nation or even world.
- Growing research and development across the world is bringing innovative products to make human life better.
- Marketers are continuously using new technologies to satisfy the ever increasing desires of customers.
- It is influencing every dimension of human life.
- It is major factor in achieving competitive advantage and leadership position in the industry.

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5. Political – Legal Environment

- Political-legal environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.
- Marketing decisions are greatly influenced by the political structure, stability, government intervention, legal framework, constitutional provisions etc.
- Government attitude and policy towards business plays a critical role in deciding the direction of business.

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Political – Legal Environment

- It regulates the limits of business.
- It protect companies from each other by defining and preventing unfair competition.
- Government regulation also protects consumers from unfair business practices – putting checks on quality, prices, false claims, promotion and packaging etc.
- It also protect the interests of society against unrestrained business behaviour – promoting a better quality of life and corporate social responsibility.
- It promotes ethical practices in business.

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6. Socio-Cultural Environment

- Social and cultural forces play a critical role in marketing process.
- It consists of basic values, beliefs, customs, morals, costumes, food habits, celebrations etc which shape the perceptions, preferences, behaviour and lifestyle of an Individual.
- The cultural values are expressed in:
 - People’s views of themselves
 - People’s views of others
 - People’s views of organization
 - People’s views of Society
 - People’s views of Nature
 - People’s views of Universe

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Cultural Environment

- Values and beliefs are passed on from one generation to another and are reinforced by social institutions like family, schools, religious institutions, business organizations and government.
- They shape the attitude and behaviour related to consumption of goods and services.
- Differences in scio-cultural forces are observed with respect to nations, regions, states, cities, social classes or even rural – urban places.

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Cultural Environment

- While marketing to consumers of a specific group, marketers need to understand their background very well.
- The kind of products and services consumed, prices at which they are bought, the places from where they are bought and the way they are communicated to the consumers, is greatly influenced by the social and cultural forces.
- Marketing decisions are adapted to match the social cultural requirements of any market.

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Implications

- Marketing environment is largely uncontrollable element.
- It presents both opportunities and threats.
- Organizations have to understand them and adapt themselves to avoid threats or exploit opportunities.
- Marketers can also adopt proactive approach by attempting to change or influence the environment.